

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Allouez Township	County Keweenaw
Audit Date 3/31/05	Opinion Date 8/25/05	Date Accountant Report Submitted to State: 9/19/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Jackie A. Aalto, CPA

Street Address

116 Fifth Street

City

Calumet

State

MI

ZIP

49913

Accountant Signature

Jackie A Aalto

Date

9/19/05

ALLOUEZ TOWNSHIP, MICHIGAN
Keweenaw County

FINANCIAL REPORT

Year ended March 31, 2005

ALLOUEZ TOWNSHIP, MICHIGAN
FINANCIAL REPORT
Year ended March 31, 2005

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INDEPENDENT AUDITOR'S REPORT

To the Board Members
Allouez Township, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allouez Township, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allouez Township, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The procedures used to collect cash receipts from sales and donations at the park and ice rink and the lack of evidential matter with respect to those cash receipts, do not permit me to apply auditing procedures to satisfy myself as to the reasonableness of such cash receipts stated in the accompanying financial statements.

Management has not included the Volunteer Firemen's Fund in the Township's financial statements. Accounting principles generally accepted in the United States of America require the Volunteer Firemen's Fund to be presented as a special revenue fund and financial information about the Volunteer Firemen's Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the governmental activities is not reasonably determinable.

In my opinion, except for the effects on the financial statements of such adjustments, if any, as might have been determined to be necessary had I been able to examine sufficient evidence regarding cash receipts described in paragraph three above, and except for the effects on the

financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allouez Township, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of April 1, 2004.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 25, 2005, on my consideration of Allouez Township, Michigan’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management’s discussion and analysis and budgetary comparison information on pages 5 through 12 and 34 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allouez Township, Michigan’s basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Jackie A. Aalto, CPA

August 25, 2005

ALLOUEZ TOWNSHIP, MICHIGAN

Management's Discussion and Analysis

The management of Allouez Township, Michigan ("the Township") offers readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of this fiscal year by \$3,293,102 (net assets). Governmental activities represented \$801,240 of this total, while business-type activities accounted for \$2,491,862 of this total.
- The Township's total net assets decreased by \$28,826.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, sanitation, recreation and culture, and cemetery operations. The business-type activity of the Township includes the operations of the sewer system.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund and Sanitation Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the General Fund and each major governmental fund to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 15 - 17 of this report.

Proprietary funds. The Township maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as *business-like activities* in the government-wide financial statements. The Township uses the enterprise fund to account for the operations of its sewer system.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund, which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 18 - 20 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 32 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* that explains and supports the information presented in the financial statements. This information can be found on pages 34 - 36 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 38 and 39 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceed liabilities by \$3,293,102 at the close of the most recent fiscal year.

A large portion of the Township's net assets (90%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and the sewer system); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Allouez Township, Michigan's Net Assets (in thousands of dollars)

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 375.4	\$ 61.6	\$ 437.0
Capital assets	<u>570.1</u>	<u>2,713.7</u>	<u>3,283.8</u>
Total Assets	<u>945.5</u>	<u>2,775.3</u>	<u>3,720.8</u>
Long-term liabilities outstanding	52.0	276.0	328.0
Other liabilities	<u>92.3</u>	<u>7.4</u>	<u>99.7</u>
Total Liabilities	<u>144.3</u>	<u>283.4</u>	<u>427.7</u>
Net Assets:			
Invested in capital assets, net of related debt	518.1	2,437.7	2,955.8
Restricted	48.0	37.8	85.8
Unrestricted	<u>235.1</u>	<u>16.4</u>	<u>251.5</u>
Total Net Assets	<u>\$ 801.2</u>	<u>\$ 2,491.9</u>	<u>\$ 3,293.1</u>

An additional portion of the Township's net assets (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (7% or \$251,468) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

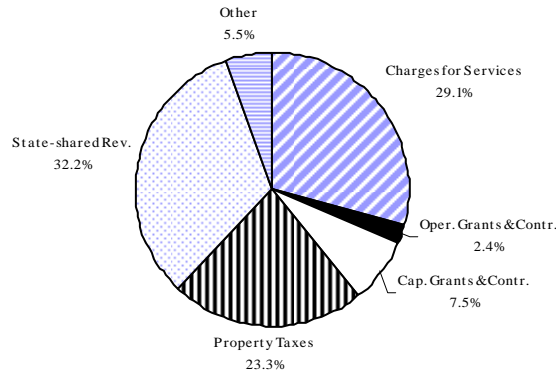
The Township's net assets have decreased by \$28,826 during the current fiscal year. Governmental activities increased the Township's net assets by \$63,925. Business-type activities decreased the Township's net assets by \$92,751. This decrease is the result of depreciation expense of \$102,842. Key elements are as follows:

Allouez Township's Changes in Net Assets
(in thousands of dollars)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 93.5	\$ 75.4	\$ 168.9
Operating grants & contributions	7.6		7.6
Capital grants & contributions	24.1		24.1
General revenues:			
Property taxes	74.8		74.8
State-shared revenues	103.3		103.3
Other	<u>17.6</u>	<u>.6</u>	<u>18.2</u>
Total Revenues	<u>320.9</u>	<u>76.0</u>	<u>396.9</u>
Expenses:			
General government	100.7		100.7
Public safety	38.1		38.1
Public works	24.2		24.2
Sanitation	78.8		78.8
Recreation & culture	5.7		5.7
Cemetery	5.4		5.4
Interest on long-term debt	4.1		4.1
Sewer	<u> </u>	<u>168.7</u>	<u>168.7</u>
Total Expenses	<u>257.0</u>	<u>168.7</u>	<u>425.7</u>
Change in net assets	63.9	(92.7)	(28.8)
Net Assets – Beginning	<u>737.3</u>	<u>2,584.6</u>	<u>3,321.9</u>
Net Assets – Ending	<u>\$ 801.2</u>	<u>\$ 2,491.9</u>	<u>\$ 3,293.1</u>

The following two charts highlight the Township's governmental activities by revenues and expenses.

Revenues - Governmental Activities

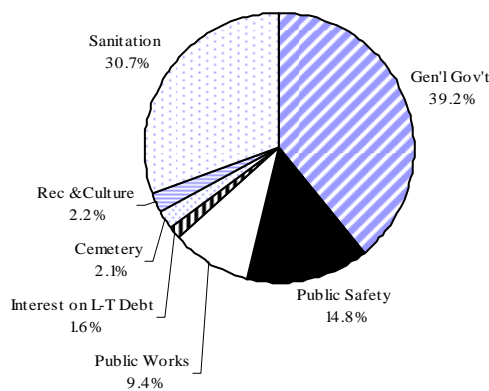


The most significant portion of the revenues for all governmental activities of the Township comes from state shared revenues. State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the state sales tax. During the year, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary cuts by the State in revenue sharing payments.

Charges for services are a major source of revenue. A significant portion of this revenue comes from sanitation fees charged to Township residents.

Property taxes are a major source of revenue. The Township's operating millage was 3.1721, which includes 1.899 mills for fire apparatus.

Expenses - Governmental Activities



The most significant portion of the expenses for all governmental activities of the Township is for general government. These expenses represent the Township hall activities. Sanitation expenses represent a major source of expenses for the government and include the cost of providing sanitation services to the Township residents.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$273,207. Approximately 80% of this total amount (\$218,197) constitutes unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to pay debt service and for a variety of other purposes.

The General Fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$166,436, while total fund balance was \$173,436. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 115% of total General Fund expenditures, while total fund balance represents 120% of that same amount.

The fund balance of the Township's General Fund has increased by \$18,125 during the current fiscal year.

Proprietary funds. The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net assets at the end of the year amounted to \$2,491,862. Of this amount, \$2,437,687 was invested in capital assets, net of related debt. \$37,821 was restricted for debt service and \$16,354 was unrestricted.

General Fund Budgetary Highlights

During the year there was no change in total appropriations between the original and final amended budget.

Capital Asset and Debt Administration

Capital Assets. The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2005, amounts to \$3,283,803 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities and the sewer system. The more significant capital asset purchases during the current year included \$26,103 for fire apparatus and \$5,200 for a storage building at the cemetery.

Allouez Township, Michigan's Capital Assets
(net of depreciation)
(in thousands of dollars)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 119.3	\$ 77.1	\$ 196.4
Buildings & site improvements	162.6		162.6
Machinery & equipment	265.2		265.2
Vehicles	23.0		23.0
Sewer system	<u> </u>	<u>2,636.6</u>	<u>2,636.6</u>
Total Assets	<u>\$ 570.1</u>	<u>\$ 2,713.7</u>	<u>\$ 3,283.8</u>

Additional information on the Township's capital assets can be found in note 4 on page 29 of this report.

Long-term debt. At the end of the current fiscal year, the Township had total debt of \$328,000. Of this amount \$52,000 comprises debt backed by the full faith and credit of the government. \$276,000 of the Township's debt represents bonds secured solely by the specified revenue sources (i.e. revenue bonds).

Allouez Township's Outstanding Debt
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Loan	\$ 52,000	\$	\$ 52,000
Revenue bonds	<u> </u>	<u>276,000</u>	<u>276,000</u>
Total	<u>\$ 52,000</u>	<u>\$ 276,000</u>	<u>\$ 328,000</u>

The Township's total debt has decreased by \$40,000 during the current year.

Additional information on the Township's long-term debt can be found in note 6 on page 31 of this report.

Economic Factors and Next Year's Budgets and Rates

The highlights of Allouez Township's fiscal year 2005-2006 budget has two major changes.

The sewer rates for customers on the Township's system were raised from \$3.00 to \$4.00 per 1,200 gallons of usage. The sewer system's financial situation needed to be supplemented for present operations and future repairs. Rate increases may have to be repeated if the current rate increase does not fulfill the financial stabilization needs of the sewer system.

Allouez Township's purchase of 200 acres of land around Seneca Lake has obligated the Township to borrow \$172,500 and commit \$69,500 of Township savings to pay the approximate cost of \$242,000 for the parcel. The Township will repay the loan after receipt of a Michigan Natural Resources Trust Fund ("MNRTF") grant.

Request for Information

This financial report is intended to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Allouez Township, PO Box 64, 102 Second Street, Mohawk, Michigan 49950.

ALLOUEZ TOWNSHIP, MICHIGAN**Statement of Net Assets****March 31, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 343,784	\$ 10,368	\$ 354,152
Receivables, net	24,630	16,004	40,634
Internal balances	7,000	(7,000)	
Restricted cash		42,220	42,220
Capital assets, net	<u>570,116</u>	<u>2,713,687</u>	<u>3,283,803</u>
Total Assets	<u>945,530</u>	<u>2,775,279</u>	<u>3,720,809</u>
Liabilities			
Accounts payable & other current liabilities	34,982	3,018	38,000
Interest payable	618	4,399	5,017
Unearned revenues	56,690		56,690
Noncurrent Liabilities:			
Due within one year	9,000	5,000	14,000
Due in more than one year	<u>43,000</u>	<u>271,000</u>	<u>314,000</u>
Total Liabilities	<u>144,290</u>	<u>283,417</u>	<u>427,707</u>
Net Assets			
Invested in capital assets, net of related debt	518,116	2,437,687	2,955,803
Restricted for:			
Fire apparatus	48,010		48,010
Debt service		37,821	37,821
Unrestricted	<u>235,114</u>	<u>16,354</u>	<u>251,468</u>
Total Net Assets	<u>\$ 801,240</u>	<u>\$ 2,491,862</u>	<u>\$ 3,293,102</u>

The notes to the financial statements are an integral part of this statement.

ALLOUEZ TOWNSHIP, MICHIGAN

Statement of Activities

Year ended March 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business-Type	Total
		Services	Grants and	Grants and	Activities	Activities	
			Contributions	Contributions			
Primary Government							
Governmental Activities							
General government	\$ 100,710	\$ 9,581	\$ 6,907	\$	\$ (84,222)	\$	\$ (84,222)
Public safety	38,076	1,000	741	24,133	(12,202)		(12,202)
Public works	24,179				(24,179)		(24,179)
Sanitation	78,848	76,247			(2,601)		(2,601)
Recreation & culture	5,723				(5,723)		(5,723)
Cemetery	5,351	6,695			1,344		1,344
Interest on long-term debt	4,157				(4,157)		(4,157)
Total Governmental Activities	257,044	93,523	7,648	24,133	(131,740)		(131,740)
Business-Type Activities							
Sewer	168,678	75,351				(93,327)	(93,327)
Total Primary Government	\$ 425,722	\$ 168,874	\$ 7,648	\$ 24,133	(131,740)	(93,327)	(225,067)
General Revenues							
Property taxes					74,835		74,835
State-shared revenues					103,318		103,318
Unrestricted investment earnings					3,555	576	4,131
Franchise fees					374		374
Other					13,583		13,583
Total General Revenues					195,665	576	196,241
Change in Net Assets					63,925	(92,751)	(28,826)
Net Assets – Beginning					737,315	2,584,613	3,321,928
Net Assets – Ending					\$ 801,240	\$ 2,491,862	\$ 3,293,102

The notes to the financial statements are an integral part of this statement.

ALLOUEZ TOWNSHIP, MICHIGAN

**Balance Sheet
Governmental Funds**

March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Sanitation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 174,095	\$ 65,944	\$ 83,968	\$ 19,777	\$ 343,784
Receivables (net):					
Current tax levy	3,275	4,634			7,909
Delinquent taxes	1,720	2,844			4,564
Accounts			10,843		10,843
Due from other governmental units	527	787			1,314
Advance to other fund	<u>7,000</u>	<u> </u>	<u> </u>	<u> </u>	<u>7,000</u>
Total Assets	<u>\$ 186,617</u>	<u>\$ 74,209</u>	<u>\$ 94,811</u>	<u>\$ 19,777</u>	<u>\$ 375,414</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 5,013	\$ 19,800	\$ 5,933	\$ 87	\$ 30,833
Accrued liabilities	4,032		117		4,149
Deferred revenues:					
Taxes	4,136	6,399			10,535
Other	<u> </u>	<u> </u>	<u>56,690</u>	<u> </u>	<u>56,690</u>
Total Liabilities	<u>13,181</u>	<u>26,199</u>	<u>62,740</u>	<u>87</u>	<u>102,207</u>
Fund Balances					
Reserved for:					
Advances	7,000				7,000
Fire apparatus		48,010			48,010
Unreserved (major funds)	166,436		32,071		198,507
Unreserved (nonmajor funds)					
Special revenue funds	<u> </u>	<u> </u>	<u> </u>	<u>19,690</u>	<u>19,690</u>
Total Fund Balances	<u>173,436</u>	<u>48,010</u>	<u>32,071</u>	<u>19,690</u>	<u>273,207</u>
Total Liabilities and Fund Balances	<u>\$ 186,617</u>	<u>\$ 74,209</u>	<u>\$ 94,811</u>	<u>\$ 19,777</u>	

Amounts reported for governmental activities in the statement of net assets are difference because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	570,116
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	10,535
Interest payable is not included as a liability in governmental activities.	(618)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(52,000)</u>

Net assets of governmental activities	<u>\$ 801,240</u>
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The notes to the financial statements are an integral part of this statement.

ALLOUEZ TOWNSHIP, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Year ended March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Sanitation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 35,299	\$ 39,633	\$	\$	\$ 74,932
Intergovernmental revenues					
Federal		21,752			21,752
State	110,966	2,381			113,347
Charges for services	7,181		76,247	6,695	90,123
Interest & rents	5,676	610	833	210	7,329
Other revenue	<u>3,661</u>	<u>412</u>	<u></u>	<u>4,755</u>	<u>8,828</u>
Total Revenues	<u>162,783</u>	<u>64,788</u>	<u>77,080</u>	<u>11,660</u>	<u>316,311</u>
Expenditures					
Current					
General government	84,612	165	600	240	85,617
Public safety	25,673	928			26,601
Public works	20,898				20,898
Sanitation			78,848		78,848
Recreation & culture	1,298			2,667	3,965
Cemetery				5,230	5,230
Other	12,177				12,177
Capital outlay		26,103		7,097	33,200
Debt service					
Principal		35,000			35,000
Interest	<u></u>	<u>3,539</u>	<u></u>	<u></u>	<u>3,539</u>
Total Expenditures	<u>144,658</u>	<u>65,735</u>	<u>79,448</u>	<u>15,234</u>	<u>305,075</u>
Net Change in Fund Balances	18,125	(947)	(2,368)	(3,574)	11,236
Fund Balances – Beginning	<u>155,311</u>	<u>48,957</u>	<u>34,439</u>	<u>23,264</u>	
Fund Balances – Ending	<u>\$ 173,436</u>	<u>\$ 48,010</u>	<u>\$ 32,071</u>	<u>\$ 19,690</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

13,649

Revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.

4,658

ALLOUEZ TOWNSHIP, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds

Year ended March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Sanitation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Repayments of debt principal is an expenditure in the governmental funds, but not in the statement of activities.					35,000
Interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.					<u>(618)</u>
Change in Net Assets of Governmental Activities					<u>\$ 63,925</u>

The notes to the financial statements are an integral part of this statement.

ALLOUEZ TOWNSHIP, MICHIGAN

**Statement of Net Assets
Proprietary Fund**

March 31, 2005

	<u>Enterprise – Sewer Fund</u>
Assets	
Current Assets:	
Cash	\$ 10,368
Accounts receivable, net	<u>16,004</u>
Total Current Assets	<u>26,372</u>
Noncurrent Assets:	
Restricted cash – revenue bond covenants	42,220
Capital asset, net	<u>2,713,687</u>
Total Noncurrent Assets	<u>2,755,907</u>
Total Assets	<u>2,782,279</u>
Liabilities	
Current Liabilities:	
Accounts payable	773
Accrued liabilities	2,245
Interest payable	4,399
Revenue bonds payable – current	<u>5,000</u>
Total Current Liabilities	<u>12,417</u>
Noncurrent Liabilities:	
Advance from other fund	7,000
Revenue bonds payable	<u>271,000</u>
Total Noncurrent Liabilities	<u>278,000</u>
Total Liabilities	<u>290,417</u>
Net Assets	
Invested in capital assets, net of related debt	2,437,687
Restricted for debt service	37,821
Unrestricted	<u>16,354</u>
Total Net Assets	<u>\$ 2,491,862</u>

The notes to the financial statements are an integral part of this statement.

ALLOUEZ TOWNSHIP, MICHIGAN

**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund**

Year ended March 31, 2005

	Enterprise – Sewer Fund
Operating Revenues	
Charges for services	<u>\$ 75,351</u>
Operating Expenses	
Wages & fringe benefits	20,223
Administration	3,255
Insurance	6,821
Utilities	4,144
Supplies & maintenance	9,701
Miscellaneous	4,005
Depreciation	<u>102,842</u>
Total Operating Expenses	<u>150,991</u>
Operating Loss	<u>(75,640)</u>
Nonoperating Revenues (Expenses)	
Interest income	576
Interest expense	<u>(17,687)</u>
Total Nonoperating Revenues (Expenses)	<u>(17,111)</u>
Changes in Net Assets	(92,751)
Net Assets – Beginning	<u>2,584,613</u>
Net Assets – Ending	<u>\$ 2,491,862</u>

The notes to the financial statements are an integral part of this financial statement.

ALLOUEZ TOWNSHIP, MICHIGAN

**Statement of Cash Flows
Proprietary Fund**

Year ended March 31, 2005

	<u>Enterprise – Sewer Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 75,580
Payments to suppliers	(27,657)
Payments to employees	<u>(20,450)</u>
Net cash provided by operating activities	<u>27,473</u>
Cash Flows from Capital and Related Financing Activities	
Payment on advance from other fund	(7,000)
Principal paid on revenue bonds	(5,000)
Interest paid on revenue bonds	<u>(17,754)</u>
Net cash used by capital and related financing activities	<u>(29,754)</u>
Cash Flows from Investing Activities	
Interest	<u>576</u>
Net decrease in cash & restricted cash	(1,705)
Cash & Restricted Cash – Beginning	<u>54,293</u>
Cash & Restricted Cash – Ending	<u><u>\$ 52,588</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (75,640)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	102,842
Changes in assets and liabilities:	
Receivables	229
Accounts payable	269
Accrued liabilities	<u>(227)</u>
Net cash provided by operating activities	<u><u>\$ 27,473</u></u>

The notes to the financial statements are an integral part of this statement.

ALLOUEZ TOWNSHIP, MICHIGAN

**Statement of Net Assets
Fiduciary Fund**

March 31, 2005

	<u>Agency Funds</u>
Assets	
Cash	<u>\$ 20,339</u>
Liabilities	
Due to other governmental units	<u>\$ 20,339</u>

The notes to the financial statements are an integral part of this statement.

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

Note 1 Summary of Significant Accounting Policies

The accounting policies of Allouez Township, Michigan ("the Township") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Implementation of GASB Statement No. 34

The aspects of financial statement content and format, as prescribed by Governmental Accounting Standards Board ("GASB") Statement No. 34 have been implemented in the financial statements, effective for the year ended March 31, 2005.

The primary changes from the prior years' financial presentations include:

- The addition of a Management's Discussion and Analysis as required supplementary information.
- A new format for the Township's basic financial statements including a government-wide Statement of Net Assets and Statement of Activities, in addition to fund financial statements, with emphasis on major funds, for governmental and proprietary activities.
- The reporting of budget and actual information for the General Fund and each major governmental fund in a new format as required supplementary information.
- Beginning net assets reported in government-wide financial statements will differ from the amounts reported as ending fund equity in the prior year financial statements due to this implementation.
- The change to the direct method of reporting cash flows from operations in the proprietary fund financial statements.

A. Reporting Entity

The Township is governed by an elected five member board consisting of a supervisor, clerk, treasurer and two trustees. The Township provides services to its residents in many areas including fire protection, solid waste disposal, sanitation, recreation and community enrichment.

GASB Statement No. 14, *The Financial Reporting Entity*, as amended, contains the standards for defining the governmental financial reporting entity and for identifying which legally separate entities are component units that should be included with another government (usually a primary government) in a financial reporting entity's financial statements.

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

Requirements for including component units are based primarily on the concept of financial accountability. A primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The Township has no component units.

An association which meets certain criteria for including its financial activity in the Township's basic financial statements is the Volunteer Firemen's Fund. Since the Volunteer Firemen's Fund is not a separate legal entity, and money raised thereof is done in the name of the Township, the financial activity of the fund should be a part of the Township reporting entity. This financial activity is not available for audit and thereof is not included in this financial report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for property tax revenues that are restricted for repairs, maintenance or replacement of fire department vehicles and equipment.

The *Sanitation Fund* accounts for the activities of the Township's garbage removal operations.

The Township reports the following major proprietary funds:

The *Sewer Fund* accounts for the activity of the Township's sewer system.

Additionally, the Township reports the following nonmajor governmental funds: Recreation and Cemetery.

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Township has elected to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are charges to customers for services. Operating expenses for the enterprise fund includes cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits – Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Township did not have any short-term investments at March 31, 2005.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on December 1st and are payable by February 14 of each year, at which time all unpaid taxes become delinquent. Delinquent real property taxes are collected by the County. Delinquent personal property taxes continue to be collected by the Township.

It is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for the financing of operations.

The 2004 taxable valuation of the Township totaled \$22,530,759, on which ad valorem taxes levied consisted of 1.2731 mills for operating purposes, and 1.8990 mills for fire apparatus. This resulted in \$28,555 for operating and \$40,615 for fire apparatus. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as tax revenue.

Restricted Cash – Certain proceeds of the Township's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted cash on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "bond and interest redemption" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. The "repairs and construction" account and "improvement" account are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

Capital Assets – Capital assets, which include property, plant, equipment, and the sewer system, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant, equipment and the sewer system are depreciated using the straight-line method over the following estimated useful lives:

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

<u>Assets</u>	<u>Years</u>
Buildings	20 to 50 years
Site Improvements	10 to 20 years
Sewer System	40 to 60 years
Vehicles	5 to 25 years
Office Equipment & Furnishings	7 to 15 years

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. Encumbrance accounting is not employed in the governmental funds.

B. Excess of Expenditures over Appropriations

For the year ended March 31, 2005, expenditures exceeded appropriations in the Fire, Sanitation, Cemetery and Recreation Funds by \$24,885, \$7,170, \$6,965 and \$994, respectively. These over expenditures were funded by greater than anticipated revenues in the Fire, Cemetery and Recreation Funds and fund balance in the case of the Sanitation Fund.

Note 3 Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of Township funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997. The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Township's deposits were reported in the basic financial statements in the following categories (the Township has no investments):

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash	\$ 343,784	\$ 10,368	\$ 354,152
Restricted cash	<u> </u>	<u>42,220</u>	<u>42,220</u>
Total	<u>\$ 343,784</u>	<u>\$ 52,588</u>	<u>\$ 396,372</u>

The bank balance of the primary government's deposits is \$420,866, of which \$167,013 is covered by federal depository insurance and \$253,853 is uninsured.

ALLOUEZ TOWNSHIP, MICHIGAN**Notes to Financial Statements****March 31, 2005****Note 4 Capital Assets**

Capital asset activity of the primary government for the year ended March 31, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 119,250	\$	\$	\$ 119,250
Capital assets being depreciated:				
Buildings & site improvements	232,488	5,200		237,688
Machinery & equipment	286,189	28,000		314,189
Vehicles	<u>27,432</u>			<u>27,432</u>
Subtotal	<u>546,109</u>	<u>33,200</u>		<u>579,309</u>
Accumulated depreciation:				
Building & site improvements	(70,269)	(4,771)		(75,040)
Machinery & equipment	(36,912)	(12,037)		(48,949)
Vehicles	<u>(1,711)</u>	<u>(2,743)</u>		<u>(4,454)</u>
Subtotal	<u>(108,892)</u>	<u>(19,551)</u>		<u>(128,443)</u>
Net capital assets being depreciated	<u>437,217</u>	<u>13,649</u>		<u>450,866</u>
Governmental activities net capital assets	<u>\$ 556,467</u>	<u>\$ 13,649</u>	<u>\$</u>	<u>\$ 570,116</u>

Business-Type Activities

Capital assets not being depreciated				
Land	\$ 77,068	\$	\$	\$ 77,068
Capital assets being depreciated:				
Sewer system	4,113,672			4,113,672
Machinery & equipment	<u>40,238</u>			<u>40,238</u>
Subtotal	<u>4,153,910</u>			<u>4,153,910</u>
Accumulated depreciation:				
Sewer system	(1,374,211)	(102,842)		(1,477,053)
Machinery & equipment	<u>(40,238)</u>			<u>(40,238)</u>
Subtotal	<u>(1,414,449)</u>	<u>(102,842)</u>		<u>(1,517,291)</u>

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Net capital assets being depreciated	<u>2,739,461</u>	<u>(102,842)</u>	<u> </u>	<u>2,636,619</u>
Business-type activities net capital assets	<u>\$ 2,816,529</u>	<u>\$(102,842)</u>	<u>\$ </u>	<u>\$ 2,713,687</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 2,916
Public safety	11,475
Public works	3,281
Recreation & culture	1,758
Cemetery	<u>121</u>

Total depreciation expense – governmental activities \$ 19,551

Business-Type Activities

Sewer	<u>\$ 102,842</u>
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Note 5 Interfund Receivables and Payables

The composition of interfund balances as of March 31, 2005 is as follows:

Advance to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	<u>\$ 7,000</u>

Note 6 Long-Term Debt

General obligation bonds and loans are direct obligations and pledge the full faith and credit of the Township. Revenue bonds typically involve a pledge from the government of income derived from the acquired or constructed assets to pay for the debt service.

Long-term debt can be summarized as follows:

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
\$157,500 Rural Development – Fire Truck	4.75%	1-1-2017	<u>\$ 87,000</u>	<u>\$ (35,000)</u>	<u>\$ 52,000</u>	<u>\$ 9,000</u>
Business-Type Activities						
\$305,000 Sewage Bonds	6.75%	7-1-2028	<u>\$ 281,000</u>	<u>\$ (5,000)</u>	<u>\$ 276,000</u>	<u>\$ 5,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 9,000	\$ 2,470	\$ 5,000	\$ 17,595
2007	9,000	2,043	5,000	17,117
2008	9,000	1,615	6,000	16,766
2009	10,000	1,188	6,000	16,384
2010	10,000	713	7,000	15,969
2011-2015	5,000	238	41,000	72,516
2016-2020			54,000	57,375
2021-2025			75,000	37,134
2026-2028			<u>77,000</u>	<u>10,041</u>
Total	<u>\$ 52,000</u>	<u>\$ 8,267</u>	<u>\$ 276,000</u>	<u>\$ 260,897</u>

During the current fiscal year the Township paid \$7,631 in interest expense. The entire amount was expensed.

Note 7 Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation). All risk of loss is covered by commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 Commitment

The Township has renewed its contract for type II solid waste transportation and disposal services for a period of five years beginning April 1, 2001 to March 31, 2006. The base annual fee for the contract is \$71,201.

ALLOUEZ TOWNSHIP, MICHIGAN

Notes to Financial Statements

March 31, 2005

The base fee will be augmented by an amount equal to contractor's actual increase in operating expenses due to:

- (a) Any fines, penalties or surcharges, or extra charges due to refusal by the transfer facility or landfill of any waste due to placement of non-Type II Waste in the waste stream by any household or commercial user in the Township, and
- (b) Commencing with year beginning April 1, 2002, a factor based on 100% of the previous year's increase in the Consumer Price Index.

Note 9 Subsequent Event

The Township has been awarded a \$172,500 Michigan Natural Resources Trust Fund ("MNRTF") grant to purchase 200 acres of land around Seneca Lake. The total cost of the parcel is approximately \$242,000. This will be paid for with a short term loan of \$172,500 and \$69,500 in Township funds. The loan will be repaid when the MNRTF grant is received.

Note 10 Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Required Supplementary Information

ALLOUEZ TOWNSHIP, MICHIGAN**Budgetary Comparison Schedule
General Fund
Year ended March 31, 2005**

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Budgetary Fund Balance	\$ 155,311	\$ 155,311	\$ 155,311	\$
Resources (Inflows):				
Taxes	33,770	33,770	35,299	1,529
Intergovernmental revenues - state	109,200	109,200	110,966	1,766
Charges for services	7,174	7,174	7,181	7
Interest & rents	4,673	4,673	5,676	1,003
Other revenue	<u>18,398</u>	<u>18,398</u>	<u>3,661</u>	<u>(14,737)</u>
Amounts Available for Appropriation	<u>328,526</u>	<u>328,526</u>	<u>318,094</u>	<u>(10,432)</u>
Charges to Appropriations (Outflows):				
General government	152,500	144,500	84,612	59,888
Public safety	22,500	30,500	25,673	4,827
Public works	24,000	24,000	20,898	3,102
Recreation & culture	5,000	5,000	1,298	3,702
Other	25,500	25,500	12,177	13,323
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u> </u>	<u>60,000</u>
Total Charges to Appropriations	<u>289,500</u>	<u>289,500</u>	<u>144,658</u>	<u>144,842</u>
Ending Budgetary Fund Balance	<u>\$ 39,026</u>	<u>\$ 39,026</u>	<u>\$ 173,436</u>	<u>\$ 134,410</u>

ALLOUEZ TOWNSHIP, MICHIGAN

Budgetary Comparison Schedule Fire Fund Year ended March 31, 2005

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Budgetary Fund Balance	\$ 48,957	\$ 48,957	\$ 48,957	\$
Resources (Inflows):				
Taxes	38,700	38,700	39,633	933
Intergovernmental revenues				
Federal			21,752	21,752
State	2,200	2,200	2,381	181
Interest	400	400	610	210
Other revenue			412	412
Amounts Available for Appropriation	<u>90,257</u>	<u>90,257</u>	<u>113,745</u>	<u>23,488</u>
Charges to Appropriations (Outflows):				
General government	300	300	165	135
Public safety	3,050	3,050	928	2,122
Capital outlay	5,000	5,000	26,103	(21,103)
Debt service				
Principal	28,000	28,000	35,000	(7,000)
Interest	<u>4,500</u>	<u>4,500</u>	<u>3,539</u>	<u>961</u>
Total Charges to Appropriations	<u>40,850</u>	<u>40,850</u>	<u>65,735</u>	<u>(24,885)</u>
Ending Budgetary Fund Balance	<u>\$ 49,407</u>	<u>\$ 49,407</u>	<u>\$ 48,010</u>	<u>\$ (1,397)</u>

ALLOUEZ TOWNSHIP, MICHIGAN

**Budgetary Comparison Schedule
Sanitation Fund
Year ended March 31, 2005**

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Budgetary Fund Balance	\$ 34,439	\$ 34,439	\$ 34,439	\$
Resources (Inflows):				
Charges for services	73,610	73,610	76,247	2,637
Interest	<u>725</u>	<u>725</u>	<u>833</u>	<u>108</u>
Amounts Available for Appropriation	<u>108,774</u>	<u>108,774</u>	<u>111,519</u>	<u>2,745</u>
Charges to Appropriations (Outflows):				
General government	1,130	1,130	600	530
Sanitation	<u>71,148</u>	<u>71,148</u>	<u>78,848</u>	<u>(7,700)</u>
Total Charges to Appropriations	<u>72,278</u>	<u>72,278</u>	<u>79,448</u>	<u>(7,170)</u>
Ending Budgetary Bund Balance	<u>\$ 36,496</u>	<u>\$ 36,496</u>	<u>\$ 32,071</u>	<u>\$ (4,425)</u>

Other Supplementary Information

ALLOUEZ TOWNSHIP, MICHIGAN

Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2005

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Recreation</u>	<u>Cemetery</u>	
Assets			
Cash	<u>\$ 7,892</u>	<u>\$ 11,885</u>	<u>\$ 19,777</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 87	\$	\$ 87
Fund Balances			
Unreserved	<u>7,805</u>	<u>11,885</u>	<u>19,690</u>
Total Liabilities and Fund Balances	<u>\$ 7,892</u>	<u>\$ 11,885</u>	<u>\$ 19,777</u>

ALLOUEZ TOWNSHIP, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year ended March 31, 2005

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	<u>Recreation</u>	<u>Cemetery</u>	
Revenues			
Charges for services	\$	\$ 6,695	\$ 6,695
Interest	71	139	210
Other revenue	<u>4,755</u>		<u>4,755</u>
Total Revenues	<u>4,826</u>	<u>6,834</u>	<u>11,660</u>
Expenditures			
Current			
General government	130	110	240
Recreation & culture	2,667		2,667
Cemetery		5,230	5,230
Capital outlay	<u>1,897</u>	<u>5,200</u>	<u>7,097</u>
Total Expenditures	<u>4,694</u>	<u>10,540</u>	<u>15,234</u>
Net Change in Fund Balances	132	(3,706)	(3,574)
Fund Balances – Beginning	<u>7,673</u>	<u>15,591</u>	<u>23,264</u>
Fund Balances – Ending	<u>\$ 7,805</u>	<u>\$ 11,885</u>	<u>\$ 19,690</u>

ALLOUEZ TOWNSHIP, MICHIGAN

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Members
Allouez Township, Michigan

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Allouez Township, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements and have issued my report thereon dated August 25, 2005. The report on the basic financial statements was qualified because the financial statements do not include the Volunteer Firemen's Fund which should be included in order to conform to accounting principles generally accepted in the United States of America. In addition, the procedures used to collect cash receipts from sales and donations at the park and ice rink and the lack of evidential matter with respect to those cash receipts did not permit me to apply auditing procedures to satisfy myself as to the reasonableness of such cash receipts stated in the accompanying financial statements. Except as discussed in the preceding sentences, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Allouez Township, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition, which is described below. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Allouez Township, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition noted is an absence of appropriate segregation of duties due to a limited number of available personnel. It is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the

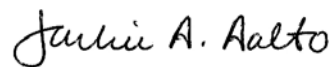
internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allouez Township, Michigan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to the management of Allouez Township, Michigan in a separate letter dated August 25, 2005

This report is intended solely for the information and use of the board membership, management, federal and state awarding agencies, and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jackie A. Aalto, CPA

August 25, 2005

August 25, 2005

To the Board Members
Allouez Township, Michigan

In planning and performing my audit of the financial statements of Allouez Township, Michigan for the year ended March 31, 2005, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control. However, I noted a certain matter involving the internal control and its operation that I consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control that, in my judgment, could adversely affect Allouez Township, Michigan's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Reportable Condition

1. The size of the Township's administrative staff precludes certain internal controls that would be preferred if it were large enough to provide optimum segregation of duties. This dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions

Other Comments and Recommendations

2. P.A. 621 of 1978, Section 18(1) as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. For the year ended March 31, 2005 expenditures exceeded appropriations in the Fire, Sanitation, Cemetery and Recreation Funds by \$24,885, \$7,170, \$6,965 and \$994, respectively. I recommend that the Board adopt appropriate policies and procedures to insure that the budgeting laws of the State of Michigan are complied with.
3. The Township operates a volunteer fire department. Because the department is not a separate legal entity and any fund raising is done in the name of the Township. I recommend that all financial activity of the fire department be reported in the Township's financial statements.
4. At March 31, 2005, the Township's bank balance was \$420,866; \$253,853 of this amount was uninsured. I recommend that the Township review its investment policy and procedures to determine if there could be alternative investment strategies that would yield higher investment returns and also allow for FDIC protection.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in my audit of the March 31, 2005 financial statements, and this report does not affect my report on those financial statements dated August 25, 2005. I have not considered the internal control since the date of my report.

This report is intended solely for the information and use of the board membership, management, federal and state awarding agencies, and, if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Jackie A. Aalto". The signature is written in a cursive, flowing style.

Jackie A. Aalto, CPA